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14 SAP AKTIENGESELLSCHAFT

15 UNITED STATES DISTRICT COURT
16 NORTHERN DISTRICT OF CALIFORNIA
17 OAKLAND DIVISION

18 SAP AKTIENGESELLSCHAFT, a
19 German corporation,
20 Plaintiff,
21 v.
22 i2 TECHNOLOGIES, INC., a Delaware
corporation,
23 Defendant.
24

Case No. 4:07-cv-04187 SBA

**PLAINTIFF SAP AG'S REPLY IN SUPPORT
OF MOTION FOR LEAVE TO FILE A
SECOND AMENDED COMPLAINT**

Judge: Hon. Sandra B. Armstrong
Date: April 8, 2008
Time: 1:00 p.m.
Courtroom 3, Third Floor

25 **I. INTRODUCTION**

26 Both parties to this litigation proposed a deadline for amending pleadings, which the
27 Court accepted in its Scheduling Order. Now that Plaintiff SAP has timely sought leave to
28

1 amend, however, i2 offers fanciful arguments regarding how such an amendment would be
 2 prejudicial. i2 claims that the amendment will frustrate its desire for speedy resolution of the
 3 case, while simultaneously requesting that *all deadlines* in the case be suspended for five months
 4 while it conducts a prior art search. i2 also asserts that the Court's deadline now "conflicts" with
 5 the Patent Local Rules—a fact apparently overlooked by i2 when it jointly proposed the current
 6 case schedule. These arguments are offered without any supporting authority, and certainly none
 7 identifies any grounds justifying denial of leave to amend. The Court should therefore grant
 8 SAP's motion.

9 **II. ARUGUMENT**

10 **A. The Existence of the Patent Local Rules Does Not Justify Application of a More** 11 **Stringent Standard than the Federal Rules Require**

12 The Rule 15 policy favoring pleading amendments is applied with 'extreme liberality.'" *United States v. Webb*, 655 F.2d 977, 979 (9th Cir. 1981) (citing *Rosenberg Bros. & Co. v. Arnold*, 283 F.2d 406 (9th Cir. 1960)). In order to overcome the presumption in favor of granting
 14 SAP's motion, Defendant i2 must show that it would suffer substantial prejudice, or that SAP
 15 acted in bad faith in seeking to amend. *See Bowles v. Reade*, 198 F.3d 752, 757 (9th Cir. 1999);
 16 *Webb*, 655 F.2d at 980 ("Only where prejudice is shown or the movant acts in bad faith are courts
 17 protecting the judicial system or other litigants when they deny leave to amend a pleading").

18 Unable to make such a showing, i2 instead contends that the Northern District's Patent
 19 Local Rules conflict with the Rule 15(a)'s liberal policy with respect to amendment—the
 20 implication being that SAP's motion should be evaluated more strictly than the Federal Rules of
 21 Civil Procedure require. (*See*, Defendant's Response to Plaintiff's Motion at 2, hereafter "Opp."
 22 Docket #63.) i2 offers no authority for this argument, and, of course, no such conflict exists: the
 23 Patent Local Rules do not speak to the requisite standard for evaluating amendments to the
 24 pleadings. Furthermore, in the event an actual conflict did exist between the Local Rules and the
 25 Federal Rules, the Federal Rules would control. *See*, Fed. R. Civ. Proc. 83 (district court rules
 26 governing practice "must be consistent with... federal statutes and rules"); *see also, e.g., Ordonez*
 27 *v. Johnson*, 254 F.3d 814, 816 (9th Cir. 2001) (resolving conflict between filing requirements of
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1 local rules and Federal Rule of Civil Procedure 1); *United States v. \$273,969.04 United States*
 2 *Currency*, 164 F.3d 462, 464 (9th Cir. 1999) (resolving conflict between local rules and Federal
 3 Rule of Civil Procedure 56). In any event, as discussed below, SAP is willing to agree to a
 4 reasonable modification of the claim construction schedule to resolve any purported “conflict”
 5 with the Patent Local Rules. There is therefore no basis for applying anything but the “extremely
 6 liberal” standard of Rule 15 to SAP’s motion.

7 **B. i2 Identifies No Prejudice Sufficient to Support Denial of Leave to Amend**

8 In its opposition, i2 identifies the following potential sources prejudice: (1) discovery
 9 already conducted by the parties in a separate action in the Eastern District of Texas; and (2)
 10 adjustments to the current case schedule that may be required in light of the amendment. (Opp. at
 11 2.) i2’s arguments fall well short of the required showing.

12 **1. Discovery Conducted in the Texas Litigation is Irrelevant to the Issues Under**
 13 **Consideration**

14 i2 correctly states that the Protective Order provides that discovery in *i2 Technologies US,*
 15 *Inc. v. SAP AG* (the “Texas Litigation”) may be used in this case. (Opp. at 1-2, 4.) i2 fails,
 16 however, to establish how the status of discovery in the Texas Litigation will prejudice it in this
 17 litigation. The prejudice inquiry here hinges on whether the status of discovery is such that i2
 18 will have the opportunity to conduct the discovery necessary to defend the additional claim. *See,*
 19 *Zivkovic v. S. Cal. Edison Co.*, 302 F.3d 1080, 1087 (9th Cir. 2002); *cf. Genentech, Inc. v. Abbot*
 20 *Labs.*, 127 F.R.D. 529, 531 (N.D. Cal. 1989).¹

21 At the time this motion was filed, i2 had not served SAP with any discovery requests, nor
 22 had it produced documents in response to SAP’s requests. That some of the documents in the
 23 Texas Litigation—a case involving different patents and which i2 is plaintiff—may ultimately
 24 prove responsive to SAP’s requests for production is irrelevant. The fact remains that i2 had
 25 expended little to no discovery resources *in this case*, and was free to form its discovery plan and

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 27 ¹ By way of example, a court in this District recently concluded that there was no risk of undue
 28 prejudice where the discovery deadline was still several months away and the parties had engaged
 in only minimal discovery. *See, Harbert v. Priebe*, 2006 WL 3708067, at *4 (N.D. Cal. Dec. 14,
 2006).

1 allocate its resources in light of the additional claim. i2 will clearly not be prejudiced in this
2 regard.

3 2. Any Necessary Scheduling Adjustments Will Not Prejudice i2

4 i2 also contends that it would be prejudiced because it would need to amend its
5 preliminary invalidity contentions, and because the current case schedule provides inadequate
6 time to do so. (Opp. at 4.)

7 First, amendment of preliminary contentions is a frequent occurrence in patent litigation in
8 this District,² and is explicitly contemplated by the rules themselves. *See* N.D. Cal. Patent R. 3-6.
9 The fact that the parties' current preliminary contentions will require supplementation to reflect
10 the newly asserted patent is not a valid basis for denying leave to amend.

11 Second, with respect to scheduling, i2 mischaracterizes the amount of time it will have to
12 file its preliminary invalidity contentions. i2 was informed of the patent asserted in the new
13 infringement claim at least as of the date this motion was filed: February, 29, 2007. The earliest
14 date the proposed Second Amended Complaint will be deemed filed is April 8, 2008, following
15 the hearing on this motion. Under SAP's proposal, i2's preliminary invalidity contentions would
16 now be due, at the earliest, on June 6, 2008 (i.e., 10 court days + 45 calendar days following the
17 filing of the complaint). (*See*, Declaration of Jason Sonoda, Ex. C at 1, Docket #64.) i2 will have
18 over three months to research prior art and develop its invalidity contentions, more than enough
19 time to avoid any prejudice.

20 SAP offered to stipulate to extend the claim construction schedule by approximately two
21 months during the meet and confer preceding this motion (*see* Gregorian Decl. ¶ 15, Docket #60),
22 and remains amenable to a reasonable extension. i2's proposal of a five month dead-period in
23 which all case deadlines are suspended, however, is not reasonable, especially in light of i2's

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26 ² *See, e.g., Abbot Diabetes Care Inc. v. Roche Diagnostics Corp.*, 2007 WL 2221029, at *1-2
27 (N.D. Cal. July 30, 2007); *Fujitsu Ltd. v. Nanya Technology Corp.*, No. C 06-6613 CW, 2007 WL
28 1660694 (N.D. Cal. June 6, 2007); *Tessera, Inc. v. Advanced Micro Devices, Inc.*, 2007 U.S. Dist.
LEXIS 35957 (N.D. Cal. April 30, 2007); *General Atomics v. Axis-Shield ASA*, No. C 05-04074
SI, 2006 WL 2329464, at *1 (N.D. Cal. Aug. 9, 2006); *Zilog v. Quicklogic Corp.*, No. C03-03725
JW, 2006 WL 563057, at *1-2 (N.D. Cal. Mar. 6, 2006).

1 professed desire to resolve the allegations of infringement in “a timely and efficient manner.”³
 2 (Opp. at 4.)

3 **C. i2 Identifies No Bad Faith or Dilatory Purpose on the Part of SAP**

4 With respect to bad faith, i2 contends merely that SAP failed to make an affirmative
 5 showing of its good faith in seeking amendment. (Opp. at 2.) However, the party opposing
 6 amendment bears the burden of showing why the amendment should not be permitted. *See*
 7 *Senza-Gel Corp. v. Seiffhart*, 803 F.2d 661, 666 (Fed. Cir. 1986) (applying 9th Cir. law);
 8 *Genentech, Inc. v. Abbott Laboratories*, 127 F.R.D. 529, 530-31 (N.D. Cal. 1989); *Bd. of Trs. v.*
 9 *Roche Molecular Sys.*, 2008 U.S. Dist. LEXIS 16556 at *20 (N.D. Cal. Mar. 4, 2008).
 10 Accordingly, here it is i2, not SAP, that bears the burden of proof regarding bad faith.

11 i2 cannot meet its burden. SAP’s newly asserted claim was discovered as part of an
 12 ongoing review of its portfolio of approximately 300 issued United States Patents. (Gregorian
 13 Decl. ¶ 13.) Further, SAP conducted its review in a manner which allowed it to seek leave to
 14 amend within the deadline set by the Court in its scheduling order. (*See* Exhibit C to Gregorian
 15 Decl., Docket #60.) This deadline was originally proposed by the parties themselves, including
 16 i2. (*See* Docket #32 at 6; Docket #37 at 6.) i2 offers no evidence to suggest bad faith on the part
 17 of SAP. (*See* Opp. at 2-3.) Given the circumstances under which leave to amend is permitted in
 18 this Circuit, i2’s claim that this is an example of an “eleventh hour” delay tactic rings hollow.⁴
 19 *Compare, Howey v. United States*, 481 F.2d 1187, 1191 (9th Cir. 1973) (motion for leave to
 20 amend granted after the close of discovery and on the second day of trial).

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24 ³ i2’s suggestion that SAP file its claim regarding the ‘369 patent in a separate action is also
 25 inefficient, as it could well result in the consolidation of the two related cases with a more
 protracted schedule than either party proposes in connection with this motion.

26 ⁴ Even if it were the case that SAP could have moved to amend at an earlier date, that fact would
 27 be insufficient basis to deny SAP’s motion. *See, Howey*, 481 F.2d at 1191 (mere fact motion
 28 could have been made earlier does not constitute an adequate basis for denying leave to amend);
DCD Programs, Ltd. v. Leighton, 833 F.2d 183, 187 (9th Cir. 1987) (delay alone is insufficient to
 justify denial of leave to amend).

1 **III. CONCLUSION**

2 For the foregoing reasons, Plaintiff SAP respectfully requests the Court grant SAP's
3 motion for leave to amend.

4 Dated: March 25, 2008

FENWICK & WEST LLP

6 By: /s/ Todd R. Gregorian
7 Todd R. Gregorian

8 Attorneys for Plaintiff
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